



U.S. Department of Justice

United States Attorney

Eastern District of Pennsylvania

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FOR IMMEDIATE RELEASE

July 15, 2005

**ALLENTOWN REAL ESTATE AGENT AND MORTGAGE BROKER
SENTENCED TO FEDERAL PRISON IN PREDATORY LENDING
SCHEME**

PHILADELPHIA – United States Attorney Patrick L. Meehan announced today that PATRICK BALF and DONALD STONE were sentenced to federal prison terms by U.S. District Court Judge Eduardo C. Robreno, for their roles in a multi-million dollar predatory lending scheme which operated in Allentown, Pennsylvania between 1998 and 2003. BALF was sentenced to a period of 60 months imprisonment, 3 years supervised release and restitution of approximately \$2,046,077. STONE was sentenced to a period of six months imprisonment, 3 years supervised release, including six months house arrest with electronic monitoring, and restitution of approximately \$720,680. These charges arise from a mortgage fraud scheme involving properties valued at more than \$1.5 million.

“Many people lost their homes because of this scheme and many more are struggling to keep up with expensive mortgages they just can’t afford,” said Meehan. “Schemes like this often trigger an increase in foreclosures which can destabilize and eventually implode a community.”

Defendant Balf worked as a real estate agent at The Real Estate Center, a company located in downtown Allentown, Pennsylvania. Defendant Stone worked for a mortgage brokerage company called The Mortgage Access Center, located in the same building as The Real Estate Center. Defendant Balf would find buyers for houses in a limited area of Allentown. He then referred the majority of these buyers to The Mortgage Access Center for mortgages. These buyers were “subprime” borrowers. “Subprime” borrowers are individuals with damaged credit who are unable to obtain financing from banks and other finance companies at the lowest market rates, leaving them with few options in the mortgage lending market. The majority of the buyers involved in the scheme were Hispanic.

Defendants Balf and Stone, along with others, arranged the mortgage financing for these buyers. The defendants and others falsified loan documents submitted to mortgage lending companies to make it appear that the buyers met underwriting criteria set by those companies.

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For example, the defendants and others falsified documents listing the employment history of buyers, verifying the income of buyers, and detailing the amount and origin of cash used to purchase the houses.

The defendants and others referred to the process of falsifying these documents as “creative financing.” The result of the scheme was that the defendants and others made it appear that otherwise unqualified buyers were qualified for mortgage financing. The scheme lasted from 1998 through 2003 and involved several hundred transactions. The investigation is ongoing.

“They called it ‘creative financing’ but we call it fraud,” Meehan said. “These cases are about protecting our neighborhoods. If we can help to keep people in their homes, we can nurture the kind of cohesive neighborhoods that are the bedrock of safe, secure communities.”

The case was investigated by Special Agent Charlene Trux of the Federal Bureau of Investigation and Special Agent Thomas Creachen of the Internal Revenue Service, Criminal Investigation. The case has been assigned to Assistant United States Attorneys Seth Weber and Michael S. Blume.

INFORMATION REGARDING THE DEFENDANTS

NAME	ADDRESS	DATE OF BIRTH
Patrick Balf	Allentown, PA	March 17, 1953
Donald Stone	Allentown, PA 18103	January 22, 1948

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